Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

Paper 2 Data Response and Essay **May/June 2023**

MARK SCHEME

Maximum Mark: 40

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	No creditable response.	0

Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Using the data in Fig.1.1, calculate the percentage change in the value of sales of doughnuts in the US from 2011 to 2019.** Extrapolation of data **(1)** Calculation of percentage change (1) **Guidance:** Data: 2011 cUSm 5500 2019 cUSm 7500 % change is 2000/5500 × 100% = 36% (accept 35–38%)	**2**
1(b)(i)	**Explain one reason why the US market for doughnuts contracted in 2020.** • More workers working from home **(1)** • **This** has led to less employees in city centres, therefore less demand for doughnuts **(1)** • Shopping trips have been less frequent and therefore less demand for doughnuts **(1)** **Maximum 2 marks**	**2**
1(c)	**Comment on whether the demand for doughnuts in the US is income elastic or income inelastic.** • Identification that it is Income **inelastic (1)** • Sales of doughnuts have increased to some consumers despite them having a fall in income **(1)**	**2**
1(d)	**Explain why a doughnut might be regarded as a demerit good.** • Doughnuts are undesirable and over-provided by the market **(1)** • This is because of information failure and means that consumers are unlikely to be fully aware of the health dangers of eating an excessive amount of doughnuts**(1)**	**2**

Question	Answer	Marks
1(e)	**With the help of a diagram, assess how the market for sugary foods in the UK might be affected by a ban on online advertising.** • **Up to 4 marks for explanation/analysis:** Accurately labelled diagram showing a shift to the left in the market demand curve for sugary foods • Explanation why a ban on online advertising is likely to lead to a fall in demand for sugary foods • Analysis of the effects of the shift in terms of the change in price and level of demand • Some consumers may not be put off by the information provided in advertising • Sugary foods are cheap and take up only a small proportion of the income of an adult • Demand for sugary foods is likely to be price inelastic • Informal market could develop amongst younger adults/children For an analysis that explains the advantages/strengths of an online advertising ban (Up to 2 marks) For an analysis that explains the disadvantages/weaknesses of an online advertising ban (Up to 2 marks) **Up to 2 marks for evaluation:** For a brief comment such as • The change in demand will depend on the PED for sugary foods • Sugary foods is a diverse term-some types of product will be more affected than others • Few palatable substitutes are available • Manufacturers are likely to use other than online advertising to promote their products • **Reserve 1 mark for a justified conclusion**	**6**

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Question	Answer	Marks
1(f)	**Assess the likely effects on UK consumers and the UK government of a ban on online adverts for sugary foods.** **Up to 4 marks for explanation/analysis of any valid effects such as** • Consumers, especially children, may be healthier/less obese • A wider range of alternative healthier snacks could become available • Reduced pressure on the NHS as less obese people • Educational standards and workplace productivity could improve • Could result in less tax revenue for government due to lower sales of sugary foods and reduced advertising from manufactures of sugary foods **For an explanation of the benefits and costs of the likely effects on UK consumers and the government but with no explicit reference to the context of sugary foods (1 mark max)** For an analysis that explains the benefits to UK consumers and the government of a ban on online adverts of sugary foods **(Up to 2 marks)** For an analysis that explains the costs to UK consumers and the government of a ban on online adverts of sugary foods **(Up to 2 marks)** **Up to 2 marks for evaluation:** • Uncertain impact of advertising ban • Not easy to measure impact on consumer demand or government revenue • Other forms of advertising will continue • **Reserve 1 mark for a justified conclusion**	**6**

Question	Answer	Marks
EITHER		
2(a)	**Explain, with the help of examples, the significance of the size and sign of the coefficient of income elasticity of demand for the classification of a good and consider how confident you are of this classification.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** Knowledge of what is meant by income elasticity of demand **(1)** Formula for calculation of income elasticity of demand **(1)** Meaning of elastic/inelastic income elasticity of demand **(1)** **AO2 Analysis (max 3 marks)** Analysis of the significance of the size and sign of the coefficient for normal goods with relevant examples **(1)** Analysis of the significance of the size and sign of the coefficient for necessity goods with relevant examples **(1)** Analysis of the significance of the size and sign of the coefficient for inferior goods with relevant examples **(1)** Analysis of the significance of the size and sign of the coefficient for superior goods with relevant examples **(1)** **Award maximum of 1mark for two types of good but with no examples. Award maximum of 2 marks for three types of good but with no examples.** **AO3 Evaluation (max 2 marks)** For a brief comment such as • Classification is dependent on income level of individual/household in case of inferior goods or necessities or superior goods • A necessity for a low-income household could be a normal good for another household • YED is an estimate calculated over separate time periods • **Reserve 1 mark for a justified conclusion**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
2(b)	**When the price of a product changes, it usually changes the consumer surplus in the market.** **Assess how variations in price elasticity of demand for a product determine the extent of changes in consumer surplus in a market.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include **AO1 Knowledge and understanding and AO2 Analysis (max 8 marks)** • Knowledge and understanding of consumer surplus • Accurate labelled diagram of consumer surplus • Explanation of effects on consumer surplus when the price of a product increases • Explanation of the effects on consumer surplus when the price of a product decreases • Explanation of the change in consumer surplus for a product with a price elastic PED • Explanation of the change in consumer surplus for a product with a price inelastic PED • Comparison of changes in consumer surplus where there are variations in the PED for a product **Level 2 max for 1 sided answers i.e. those that analyse the impact of elastic or inelastic PED** **AO3 Evaluation (max 4 marks)** • Change in consumer surplus depends on the relative extent of the price change • Change in consumer surplus also depends on the coefficient of PED • It is assumed that a price change is the only factor that determines a change in consumer demand for a product **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**Explain why government intervention may be required to provide merit goods and consider why such intervention may not always be successful.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** Government intervention takes place when markets fail **(1);** nature of information failure **(1)** examples of merit goods **(1)** **AO2 Analysis (max 3 marks)** Application of reasons for government provision of merit goods to include essential nature of merit goods **(1);** private sector not willing to fully provide **(1);** problem of payment for merit goods **(1)** benefits in terms of society and the economy **(1)** **Guidance;** Award 1 mark for each example that is explained **AO3 Evaluation (max 2 marks)** • Governments may lack the resources to provide sufficient merit goods • Governments may not have enough information on which merit goods should be provided • **Reserve 1 mark for a justified conclusion**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Assess the effectiveness of government intervention through buffer stock schemes in agricultural markets.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis (max 8 marks)** The advantages and disadvantages of a buffer stock scheme in agricultural markets may include • Effective in smoothing out price changes, particularly where these are volatile • Responsive to market conditions • Involves minimum and maximum prices • Storage of products can be used to influence price changes • Can be inefficient when surplus stocks build up • Little incentive for producers to change what they produce • Could lead to waste of perishable products Other methods of intervention can include • Subsidies paid to agricultural producers • Tariffs on imports • Export controls Advantages and disadvantages include • Less intervention, more emphasis on market forces • Improved security of supply for domestic market • Reduced dependence on imports • Income of efficient farmers can increase • Subsidies involve an opportunity cost **Level 2 max for 1 sided answers** **AO3 Evaluation (max 4 marks)** • **Consideration of relative effectiveness of buffer stock schemes compared to other methods of intervention** • How to determine minimum prices for government intervention • Problem of over-supply and impact on future market prices • Informal markets and scale of subsistence producers can be issues in low-income countries Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
EITHER		
4(a)	**With the help of a circular flow of income diagram, explain how equilibrium is determined in an open economy and consider whether a budget deficit or a trade deficit is more likely to cause lasting disequilibrium.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** An understanding of the circular flow of income shown through an accurate diagram showing income flows between firms and households (1); correct inclusion of exports and imports (1); correct inclusion of government spending and taxation (1) **AO2 Analysis (max 3 marks)** Explanation of injections into the circular flow of income;**(1)**; explanation of leakages from the circular flow of income **(1);** determination of equilibrium in the circular flow of income **(1)** **AO3 Evaluation (max 2 marks)** Consideration how a budget deficit or a trade deficit leads to disequilibrium in the circular flow of income (1); consideration which is likely to cause lasting disequilibrium (1) **Reserve 1 mark for a justified conclusion**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether an increase in investment in new infrastructure projects will always have a positive impact on the circular flow of income in an economy.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis (max 8 marks)** Increased investment in new infrastructure can have a positive and negative impact on the circular flow of income in an economy: • Increased investment can be from firms or government • Household savings can be a source of funds for this investment • Investment is an injection in to the circular flow of income • There is increased payments for factors of production • Households supply factor services to firms in the form of labour, enterprise and capital • In turn, firms provide factor services to implement the investment • Leakages impact on the total flow of funds in the circular flow of income • Taxation on the inputs into the new infrastructure project is a leakage from households and firms to the government • Other leakages are spending on imports of materials to implement the new infrastructure project • Household savings are a leakage from factor income • Equilibrium in the circular flow will depend on the balance between injections and leakages. **Maximum level 2 for a one-sided response** **AO3 Evaluation (max 4 marks)** • The circular flow model is a simplified view of reality. • The impact will depend upon the net of injections and leakages. • There could be a negative impact on the circular flow of income if leakages exceed injections. • Most forms of new infrastructure have a negative impact not taken into account by the model • Consideration as to whether all new infrastructure always has a positive impact on the circular flow of income Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**Explain how monetary policy may be able to reduce the rate of inflation in an economy and consider the likely success of this policy.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** An understanding of monetary policy **(1);** tools of monetary policy :interest rates, supply of money and regulations **(1);** nature of a contractionary monetary policy **(1)** **AO2 Analysis (max 3 marks)** An explanation of how the tools of monetary policy can be applied to reduce inflation (1); analysis of these changes on aggregate demand and the price level (1); analysis of the effects on output and employment (1). **AO3 Evaluation (max 2 marks)** The effectiveness of monetary policy will depend upon the response of consumers and firms, in particular to higher interest rates (1) May also depend on the rate of inflation and its causes (1) **Reserve 1 mark for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
5(b)	**Assess how governments use macroeconomic intervention to achieve their macroeconomic objectives.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis (max 8 marks)** • Macroeconomic objective of price stability • Macroeconomic objective of low unemployment • Macroeconomic objective of economic growth • Government budget as a form of intervention • Scope and use of fiscal policy as a form of intervention • Scope and use of monetary policy as a form of intervention • Scope and use of supply-side policy as a form of intervention • Examples of links between macroeconomic objectives and forms of intervention • Other objectives such as distribution of income **A one-sided response can only gain a maximum mark of Level 2** **AO3 Evaluation (max 4 marks)** • Consideration of the extent to which macroeconomic intervention allows governments to achieve their macroeconomic policy objectives • Effectiveness of particular interventions in relation to specific macroeconomic objectives Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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